

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01

FRB-03 OMB-01 AID-05 CEA-01 SIL-01 SAM-01 USIA-06

NSC-05 SS-15 L-03 /092 W
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R 271645Z OCT 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 827

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

AMCONSUL MILAN

AMCONSUL NAPLES

C O N F I D E N T I A L ROME 17592

E.O. 11652: GDS

TAGS: ETRD, EEC, IT

SUBJECT: US-EC TEXTILE CONSULTATIONS: ITALIAN DENIM IMPORTS

REF: STATE 239348 (NOTAL)

1. SUMMARY. THE DIRECTOR GENERAL OF COMMERCIAL AGREEMENTS
OFFICE OF MINISTRY OF FOREIGN TRADE (MFT) RAISED WITH ECOMIN
ITALIAN DENIM IMPORT PROBLEM AND ASKED EMBASSY DISCUSS MATTER WITH
OFFICIALS OF COMMERCIAL AGREEMENTS OFFICE. EMBOFF SUBSEQUENTLY
MET WITH MFT OFFICE DIRECTORS DRS. SIMEONE AND GALDI. THEY
REQUESTED ASSISTANCE OF US CUSTOMS IN CONTROLLING UNDERINVOICING OF
DENIM REMNANTS AND POSSIBLY OTHER DENIM CATEGORIES. END SUMMARY.

2. GALDI AND SIMEONE SAID DISCUSSIONS OF THIS PROBLEM IN BRUSSELS
HAD GOTTEN OUT OF HAND AND THAT MAYNELL ("AS HE TOO FREQUENTLY DOES")
HAD MADE A MAJOR PROBLEM OUT OF SOMETHING THAT COULD BE FAIRLY
EASILY RESOLVED. (SEE REFTEL.) AFTER REVIEWING DISCUSSIONS IN
BRUSSELS AND WASHINGTON, THEY FOCUSED ON UNDERINVOICING ASPECT OF
PROBLEM. THEY SAID TIGHTENED ITALIAN CUSTOMS CHECKS HAD RESULTED
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IN SOME IMPROVEMENT. THEY NO LONGER SEE INVOICES PRICING DENIM

REMNANTS, ETC. AT \$0.17 PER KILO, BUT PRICE IS OFTEN STILL UNBELIEVABLY LOW \$0.33 TO \$0.80 PER KILO. NEVERTHELESS, THEY ASKED THE US CUSTOMS TO AID GOI IN ITS EFFORTS TO CONTROL UNDERINVOICING BY STAMPING "SEEN" ON EXPORT INVOICES. EMBOFF EXPLAINED ADMINISTRATIVE DIFFICULTIES US WOULD HAVE, BUT SIMEONE SAID ITALIAN CONSULAR STAMP MIGHT BE REQUIRED IF USG FAILED TO COOPERATE.

3. THEY CONCEDED THAT ITALY'S TARIFF CATEGORY (CCT 55.09) IS TOO BROAD; CALY DOES NOT SEPARATE BLUE DENIM FROM GREY COTTON CLOTH. NEVERTHELESS, THEY INSISTED THAT BLUE DENIM REMNANTS COMPETE WITH ITALIAN COTTONS OF FIRST AND SECOND QUALITY WHICH SELL FOR ABOUT \$4.00 PER KILO.

4. GALDI POINTED OUT THAT ITALIAN CUSTOMS CHECKS HAD REVEALED THAT REMNANTS FROM THE US WERE VERY LARGE BY ITALIAN STANDARDS. THEY HAD FOUND US REMNANTS WERE GENERALLY 1.5 METERS WIDE BY ONE TO NINE METERS LONG. IN SOME CASES REMNANTS HAD BEEN SEWN TO FORM 70 METER LENGTHS. THEY CLAIMED THAT THE US INTERNAL PRICE WAS USUALLY ABOUT \$2.00 PER KILO.

5. IN CLOSING DISCUSSING, SIMEONE SAID FIRST STEP WAS SIMPLY TO ESTABLISH WHETHER US EXPORT PRICES REALLY ARE AS LOW AS INDICATED ON INVOICES OR WHETHER INVOICES ARE FALSE. SIMEONE MADE CLEAR, HOWEVER, THAT HE DID NOT WANT TO PREJUDICE THE EC'S POSITION ON THE MATTER.

6. GALDI LATER SUPPLIED EMBOFF WITH COPIES OF INVOICES, PRINTOUT AND A PRO MEMORIA DATED JUNE 14, 1976 OF THE ITALIAN DELEGATION TO THE EC. EMBASSY ASSUMES DEPARTMENT HAS RECEIVED INVOICES AND PRINTOUTS VIA EC, BUT WILL ENCLOSE COPY OF PRO MEMORIA UNDER AIRGRAM. PRO MEMORIA MAKES CLEAR THAT GOI HAS MAINTAINED TO EC (AND PRESUMABLY STILL MAINTAINS) THAT: (A) US COTTON CLOTH EXPORTS (WHETHER GREY OR OTHER) TO ITALY HAVE GROWN SO MUCH AND ARE AT PRICES SO LOW AS TO CAUSE DAMAGE TO ITALIAN PRODUCERS OF THE SAME TEXTILES; (B) US INVOICE PRICES ARE STILL LOWER THAN THEIR COMMERCIAL VALUE IN COMPARISON WITH ITALIAN TEXTILES, "INDEPENDENTLY OF THE ARTIFICIAL PRESENTATION OF THE US TEXTILES AS REMNANTS;" (C) THE US SHOULD NOT BE TREATED MORE FAVORABLY THAN IMPORTANT THIRD COUNTRY SUPPLIERS WHICH ARE HOLDING VOLUNTARILY THEIR DENIM EXPORTS TO ITALY AT LOWER LEVELS THAN US DENIM EXPORTS WHILE MAINTAINING HIGHER PRICES
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THAN THE US.

7. COMMENT. WHILE EMBASSY HOPES THAT WASHINGTON AGENCIES WILL CONSIDER ITALIAN ADMINISTRATIVE REQUEST, EMBASSY REALIZES THERE ARE ADMINISTRATIVE, POLICY AND PERHAPS LEGAL PROBLEMS INVOLVED. FURTHERMORE, THERE WAS NO INDICATION THAT GOI IS ABANDONING POSITION TAKEN IN ITS PRO MEMORIA. VOLPE

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